

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED June 30, 2010
(Unaudited)

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State Controller

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STATE OF NEVADA



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**OFFICE OF THE
STATE CONTROLLER**

August 25, 2010

The Honorable Jim Gibbons
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Gibbons:

Pursuant to NRS 387.013, I am pleased to provide you with the financial statements of the Permanent School Fund for the quarter ending June 30, 2010.

Sincerely,

A handwritten signature in cursive script that reads "Kim Wallin".

Kim R. Wallin, CMA, CFM, CPA
State Controller

KRW:dt

Legislative Counsel Bureau (2)
State Board of Education (2)
Department of Administration (2)
Department of Conservation (2)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
June 30, 2009 and 2010
(Unaudited)

Exhibit A

Assets	<u>6/30/10</u>	<u>6/30/09</u>
Cash and cash equivalents	\$ 51,817,860	\$ 11,968,383
Accrued interest		
Investments	1,055,097	2,600,260
Treasurer	633	56,002
Total accrued interest	<u>1,055,730</u>	<u>2,656,262</u>
Receivables		
Land sales	64,134	42,129
Fines and penalties	580,931	620,663
Purchased interest	286,023	90,285
Due from General Fund	152,625	-
Total receivables	<u>1,083,713</u>	<u>753,077</u>
Investments		
U.S. Government securities	253,054,710	285,217,117
Total Assets	<u><u>\$ 307,012,013</u></u>	<u><u>\$ 300,594,839</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 6,583,253	\$ 8,396,617
Due to heirs	553,933	539,273
Total liabilities	<u>7,137,186</u>	<u>8,935,890</u>
 Fund balances		
Reserved: Permanent Fund Principal	299,874,827	291,658,949
Total Liabilities and Fund Balances	<u><u>\$ 307,012,013</u></u>	<u><u>\$ 300,594,839</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarter and Year ended June 30, 2010
(Unaudited)

Exhibit B

Revenues	Quarter Ended 6/30/2010	Year Ended 6/30/2010
Fines - State Penal Laws		
Justice Courts	\$ 1,643,961	\$ 6,428,972
District Courts	149,894	643,721
Other Fines and Penalties	33,850	77,450
Total fines	1,827,705	7,150,143
Investment income (loss)	3,370,050	7,945,305
Land sales	216,759	964,965
Escheated estates	42,445	50,509
Miscellaneous	2,955	50,261
Total revenues	5,459,914	16,161,183
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(3,370,050)	(7,945,305)
Net change in fund balances	2,089,864	8,215,878
Fund balances, beginning of period	297,784,963	291,658,949
Fund balances, June 30, 2010	\$ 299,874,827	\$ 299,874,827

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND
GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Bond guarantees at June 30, 2010 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	38,103,000.00	\$	28,615,000.00
Churchill		16,275,000.00		16,170,000.00
Douglas		24,250,000.00		19,385,000.00
Humboldt		2,950,000.00		2,950,000.00
Lincoln		6,750,000.00		6,032,000.00
Lyon		44,875,000.00		34,985,000.00
Mineral		4,425,000.00		3,105,000.00
Nye		42,900,000.00		39,375,000.00
Pershing		10,135,000.00		5,725,000.00
Storey		10,950,000.00		10,280,000.00
White Pine		5,040,000.00		4,105,000.00

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended June 30, 2010, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$3,383,644.05. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

For the quarter ended June 30, 2010, funds held by the State Treasurer earned interest at an effective rate of .38 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENTS
June 30, 2010

Schedule 1

Fixed Income Securities	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fed. Farm Credit Bank	4.875	02/18/11	\$ 7,000,000	\$ 6,986,210	\$ 7,196,910
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,552,480
Fed. Farm Credit Bank	4.250	10/15/13	7,000,000	7,000,000	7,074,410
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,182,800
Fed. Farm Credit Bank	1.950	09/17/12	20,000,000	20,000,000	20,062,600
Fed. Farm Credit Bank	1.850	12/28/12	10,000,000	9,995,000	10,053,100
Fed. Farm Credit Bank	1.850	12/28/12	10,000,000	10,000,000	10,053,100
Fed. Farm Credit Bank	2.500	02/17/15	12,000,000	12,170,400	12,266,280
Fed. Farm Credit Bank	2.850	03/16/15	7,450,000	7,571,435	7,624,628
Fed. Farm Credit Bank	2.900	04/09/15	13,418,000	13,677,974	13,799,608
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,546,420
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,831,250
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	11,143,800
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	15,161,457
Fed. Home Loan Bank Note	2.250	08/20/10	7,015,000	7,062,001	7,032,537
Fed. Home Loan Bank Note	2.150	08/24/12	10,960,000	11,015,238	10,987,400
Fed. Home Loan Bank Note	2.200	06/30/15	25,000,000	24,993,750	24,976,500
Fed. Home Loan Mgt. Corp.	1.875	03/08/13	26,000,000	26,028,600	26,204,100
Fed. National Mortgage Assn.	2.125	01/25/13	16,000,000	16,131,200	16,110,080
Fed. National Mortgage Assn.	1.800	03/15/13	25,000,000	25,000,000	25,195,250
Total Investments			<u>\$ 246,193,000</u>	<u>\$ 248,996,448</u>	<u>\$ 253,054,710</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and Year ended June 30, 2010

Schedule 2

County	Quarter Ended 6/30/2010	Year Ended 6/30/2010
Carson City	\$ 5,313	\$ 19,064
Churchill	17,239	62,187
Clark	1,074,207	4,185,455
Douglas	9,364	33,365
Elko	36,739	159,984
Esmeralda	16,870	82,203
Eureka	876	4,014
Humboldt	-	-
Lander	1,314	10,416
Lincoln	-	975
Lyon	33,550	100,558
Mineral	293	1,945
Nye	50,045	224,984
Pershing	50	1,645
Storey	-	-
Washoe	396,426	1,529,660
White Pine	1,675	12,517
Total	<u>\$ 1,643,961</u>	<u>\$ 6,428,972</u>

STATE OF NEVADA
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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and Year ended June 30, 2010

County	<u>Schedule 3</u>	
	Quarter Ended 6/30/2010	Year Ended 6/30/2010
Carson City	\$ 761	\$ 13,505
Churchill	3,563	12,695
Clark	57,196	270,863
Douglas	5,011	18,581
Elko	8,301	41,500
Esmeralda	107	107
Eureka	-	2,440
Humboldt	3,225	16,444
Lander	2,220	4,525
Lincoln	930	12,730
Lyon	4,952	16,893
Mineral	100	3,387
Nye	336	5,946
Pershing	417	4,647
Storey	-	-
Washoe	60,506	211,029
White Pine	2,269	8,429
Total	\$ 149,894	\$ 643,721

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended June 30, 2010

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed. Farm Credit Bank	4.875 %	\$ 7,000,000	\$ 85,312
Fed. Farm Credit Bank	4.230	13,000,000	45,825
Fed. Farm Credit Bank	5.875	8,000,000	117,500
Fed. Farm Credit Bank	4.250	7,000,000	74,375
Fed. Farm Credit Bank	2.500	5,000,000	31,250
Fed. Farm Credit Bank	2.990	10,000,000	12,458
Fed. Farm Credit Bank	2.020	9,500,000	15,992
Fed. Farm Credit Bank	1.950	20,000,000	97,500
Fed. Farm Credit Bank	1.850	10,000,000	46,250
Fed. Farm Credit Bank	1.850	10,000,000	46,250
Fed. Farm Credit Bank	2.850	7,450,000	691
Fed. Farm Credit Bank	2.900	13,418,000	1,080
Fed. Home Loan Bank Note	3.660	5,500,000	50,325
Fed. Home Loan Bank Note	5.250	10,000,000	109,375
Fed. Home Loan Bank Note	4.550	10,000,000	113,750
Fed. Home Loan Bank Note	3.650	10,000,000	91,250
Fed. Home Loan Bank Note	4.750	7,000,000	83,125
Fed. Home Loan Bank Note	4.875	10,000,000	121,875
Fed. Home Loan Bank Note	4.875	13,850,000	168,797
Fed. Home Loan Bank Note	2.850	15,000,000	17,813
Fed. Home Loan Bank Note	2.250	7,015,000	39,459
Fed. Home Loan Bank Note	2.150	10,960,000	58,910
Fed. Home Loan Bank Note	1.375	10,000,000	34,375
Fed. National Mortgage Assoc.	2.125	16,000,000	85,000
Fed. National Mortgage Assoc.	1.800	25,000,000	112,500
Fed. Home Loan Mgt. Corp.	1.875	26,000,000	121,875
Total interest on investments			1,782,912
<u>Cash equivalents:</u>			
Fannie Mae Discount Note	0.160	9,500,000	2,702
Fannie Mae Discount Note	0.110	4,135,000	152
Freddie Mac Discount Note	0.180	10,000,000	3,450
Freddie Mac Discount Note	0.180	15,000,000	5,625
Farmer Mac Discount Note	0.030	33,000,000	82
Fed. Home Loan Bank Discount Note	0.400	9,956,000	11
Fed. Home Loan Bank Discount Note	0.170	33,000,000	9,818
Fed. Home Loan Bank Discount Note	0.140	10,000,000	1,711
Fed. Home Loan Bank Discount Note	0.010	27,985,000	8
Fed. Home Loan Bank Discount Note	0.030	9,956,000	50
Total interest on cash equivalents			23,609
Treasurer's interest distribution			633
Total interest			1,807,154
Change in fair value of investments			1,562,896
Total investment income for the quarter			\$ 3,370,050